Country risk analysis has been one of the major research topics within the fields of economics and finance during the past years, especially, after the recent crises in Asia and South America. In a general sense, country risk is often defined as the probability that a country will fail to generate enough foreign exchange in order to pay its obligation to the foreign creditors. This book reviews the existing research in country risk analysis and presents several modelling methods for developing country risk assessment models. A special emphasis is placed on the use of MCDA (MultiCriteria Decision Aid) methods, because the classic statistical and other methods applied in the past were not always fit to respond efficiently and sufficiently to the country risk assessment problem.

The first chapter presents a review of statistical methods applied to country risk assessment such as discriminant analysis, factor analysis, regression analysis, regression trees, logit analysis, principal component analysis. The principal issues in statistical country risk analysis are presented in this chapter. Moreover, this chapter describes briefly new methodological tools for country risk assessment. Among them MCDA, an advanced field of operations research, seems to be well-suited to the analysis of country risk.

The second chapter makes a presentation of MCDA classification methods, statistical and econometric classification methods, and non-parametric techniques. It describes the general characteristics of the methods as well as the model development process for each of them.

The third chapter of this book presents several real-world applications of the methods described in the second chapter. Using the MCDA methodologies it is possible to develop multi-criteria decision models in order to rank a set of countries from the less to the more risky ones.

Finally, chapter 4 proposes future research directions for the country risk assessment problem.

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MSC:

91-02 Research exposition (monographs, survey articles) pertaining to game theory, economics, and finance
90-02 Research exposition (monographs, survey articles) pertaining to operations research and mathematical programming
91B74 Economic models of real-world systems (e.g., electricity markets, etc.)
91B82 Statistical methods; economic indices and measures
91B30 Risk theory, insurance (MSC2010)

Keywords:
country risk; statistical method; multicriteria decision aid method; econometric classification method; non-parametric technique

Full Text: DOI